

USPS LEADERSHIP FORUM FOR STAKEHOLDERS

OPERATIONS UPDATE

Megan J. Brennan
Chief Operating Officer

AGENDA

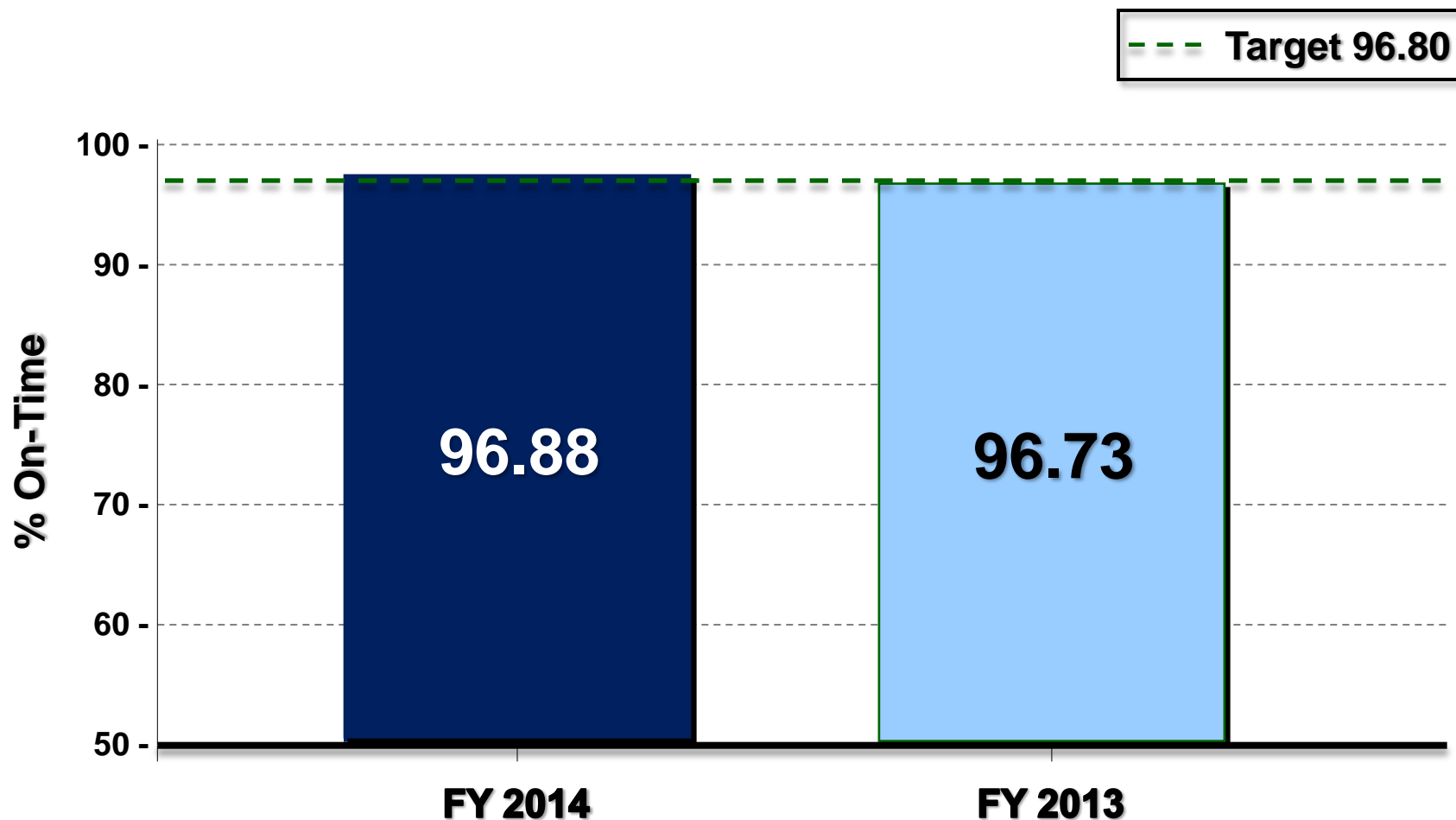
- ❑ SERVICE PERFORMANCE**
- ❑ PEAK SEASON READINESS**
- ❑ DSCF LOAD LEVELING UPDATE**
- ❑ FY 2015 MAJOR OPERATIONAL INITIATIVES**
- ❑ OPERATIONAL TESTS**
- ❑ COLLABORATION AND OUTREACH**

QTR 4, FY 2014 SERVICE PERFORMANCE

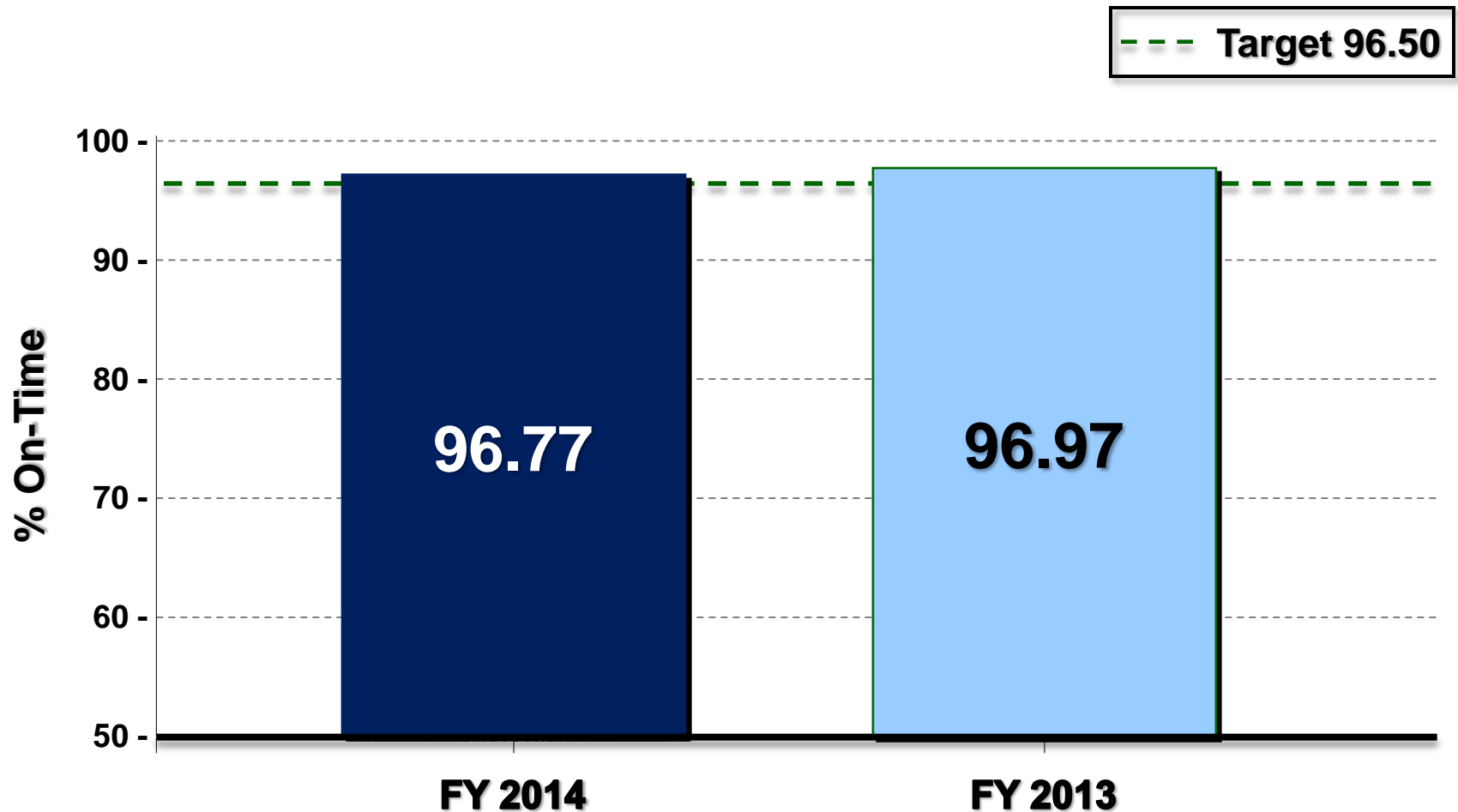


FIRST-CLASS MAIL

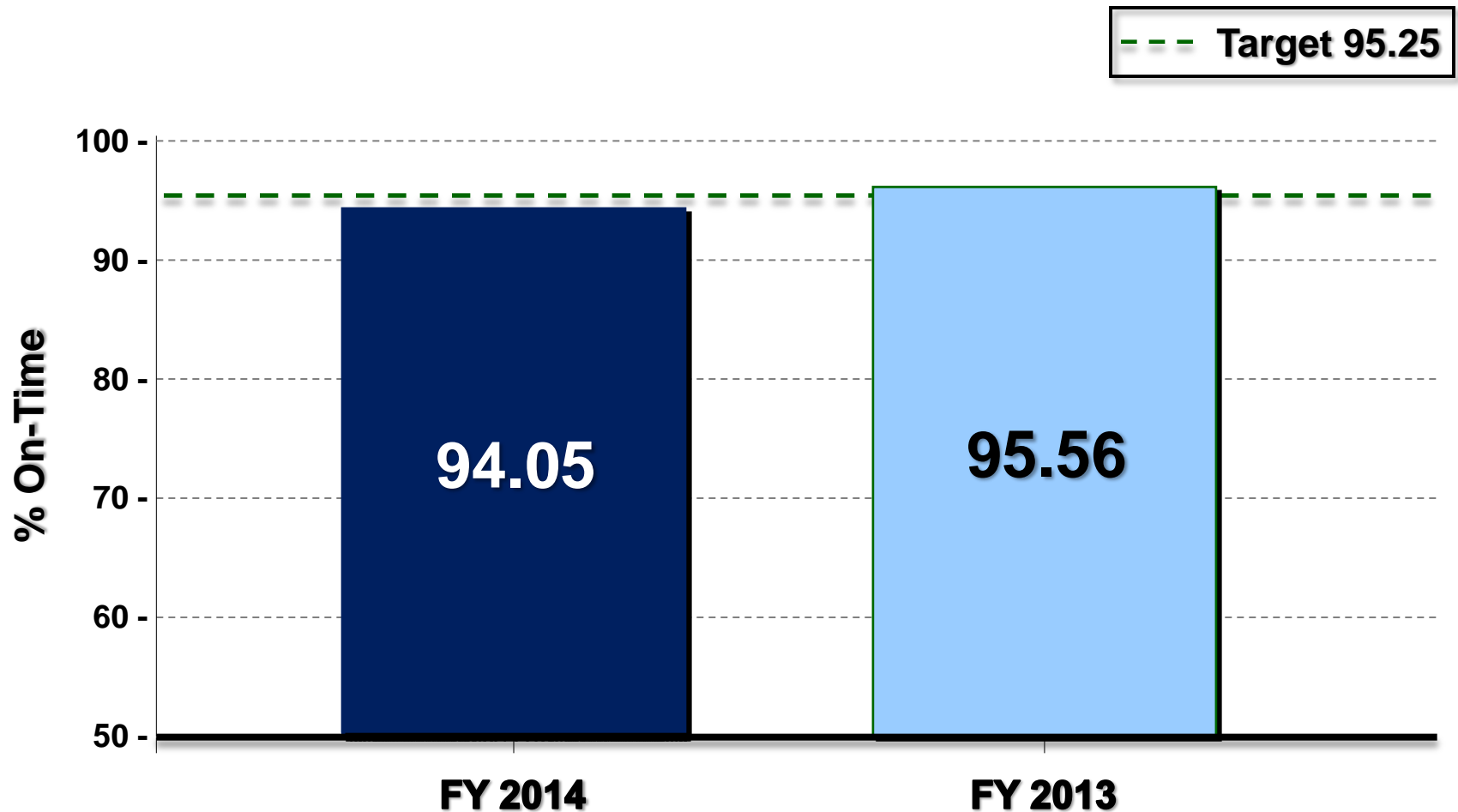
FIRST-CLASS OVERNIGHT



FIRST-CLASS 2 DAY



FIRST-CLASS 3-5 DAY

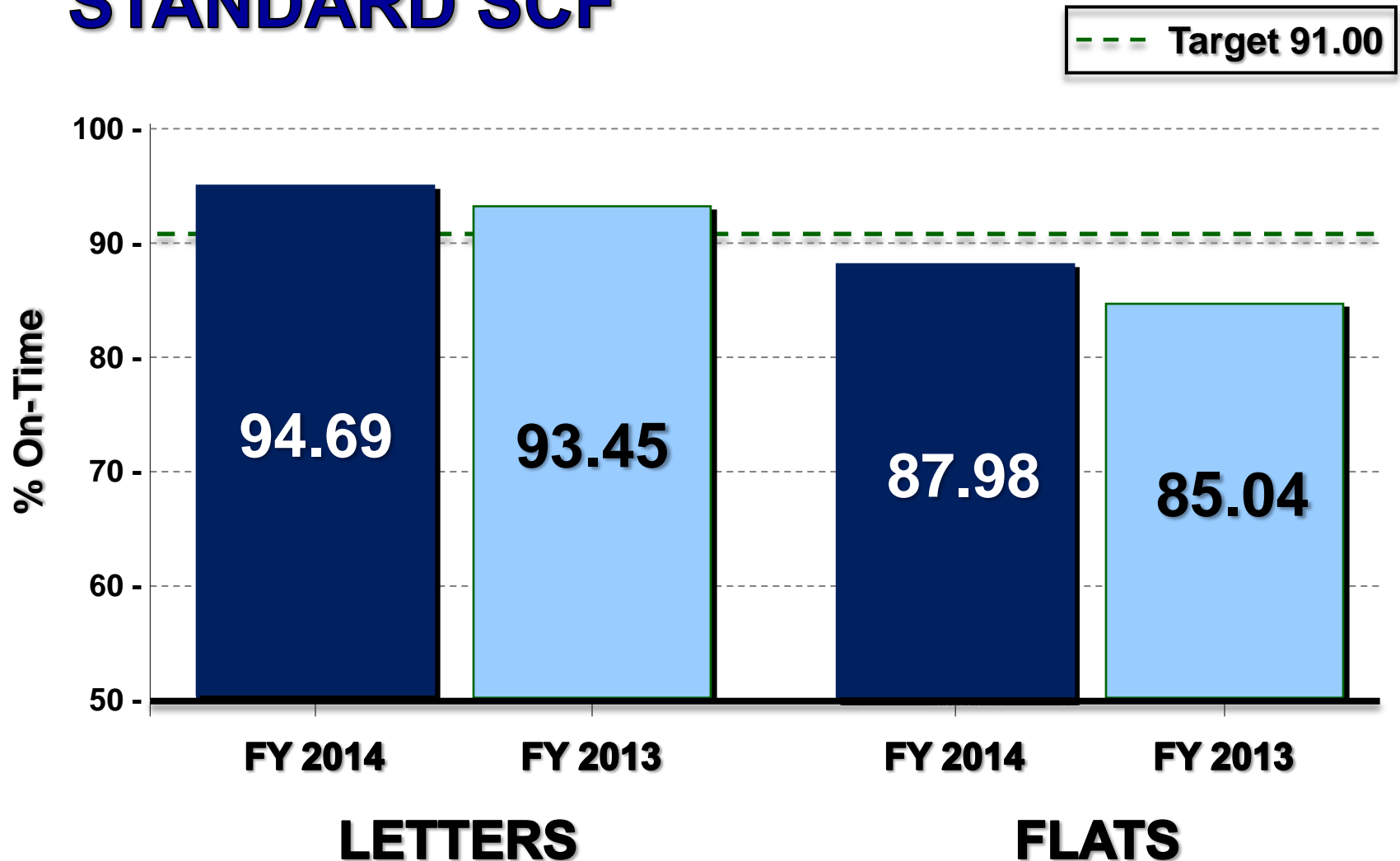


QTR 4, FY 2014 SERVICE PERFORMANCE

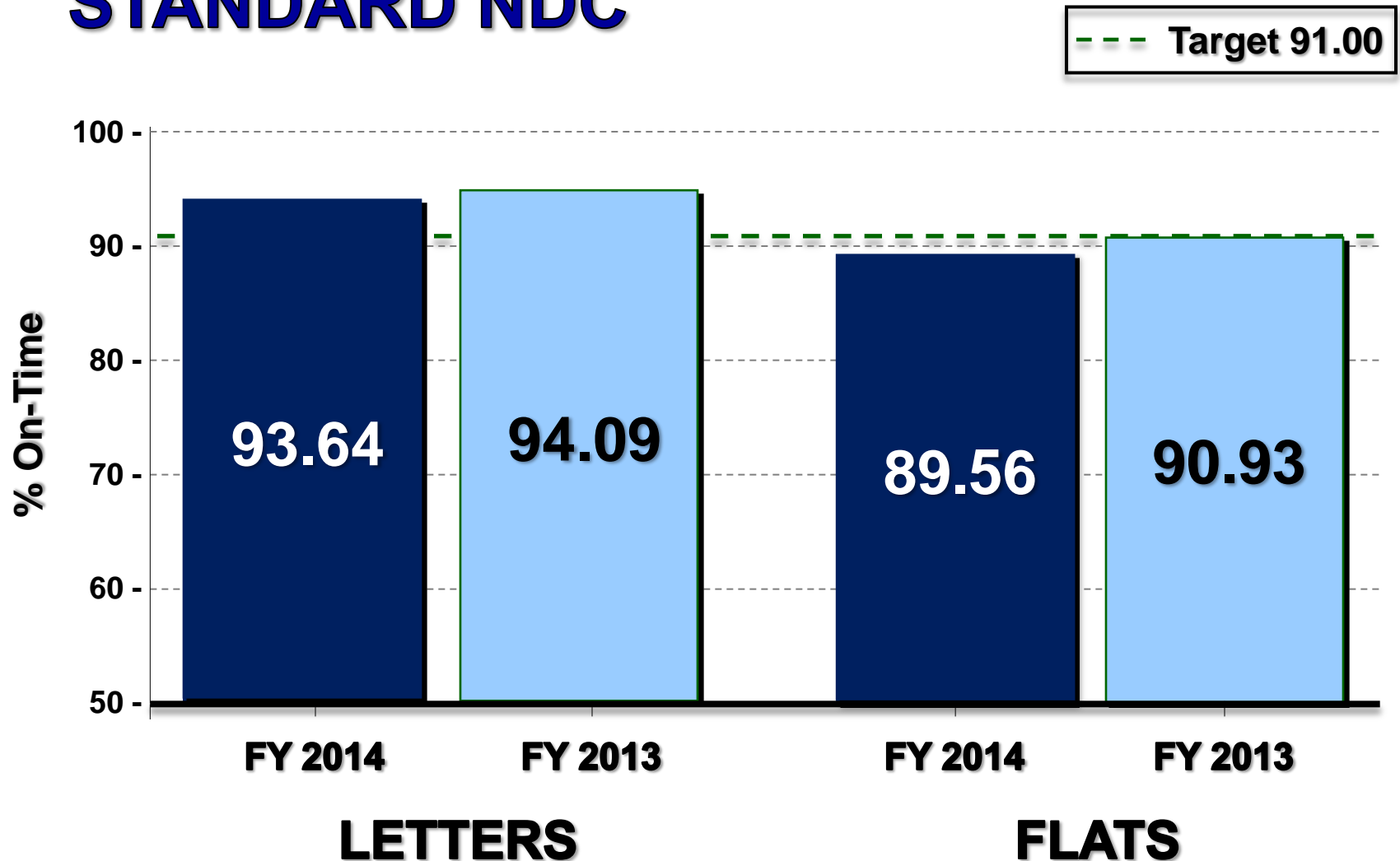


STANDARD AND PERIODICALS

STANDARD SCF

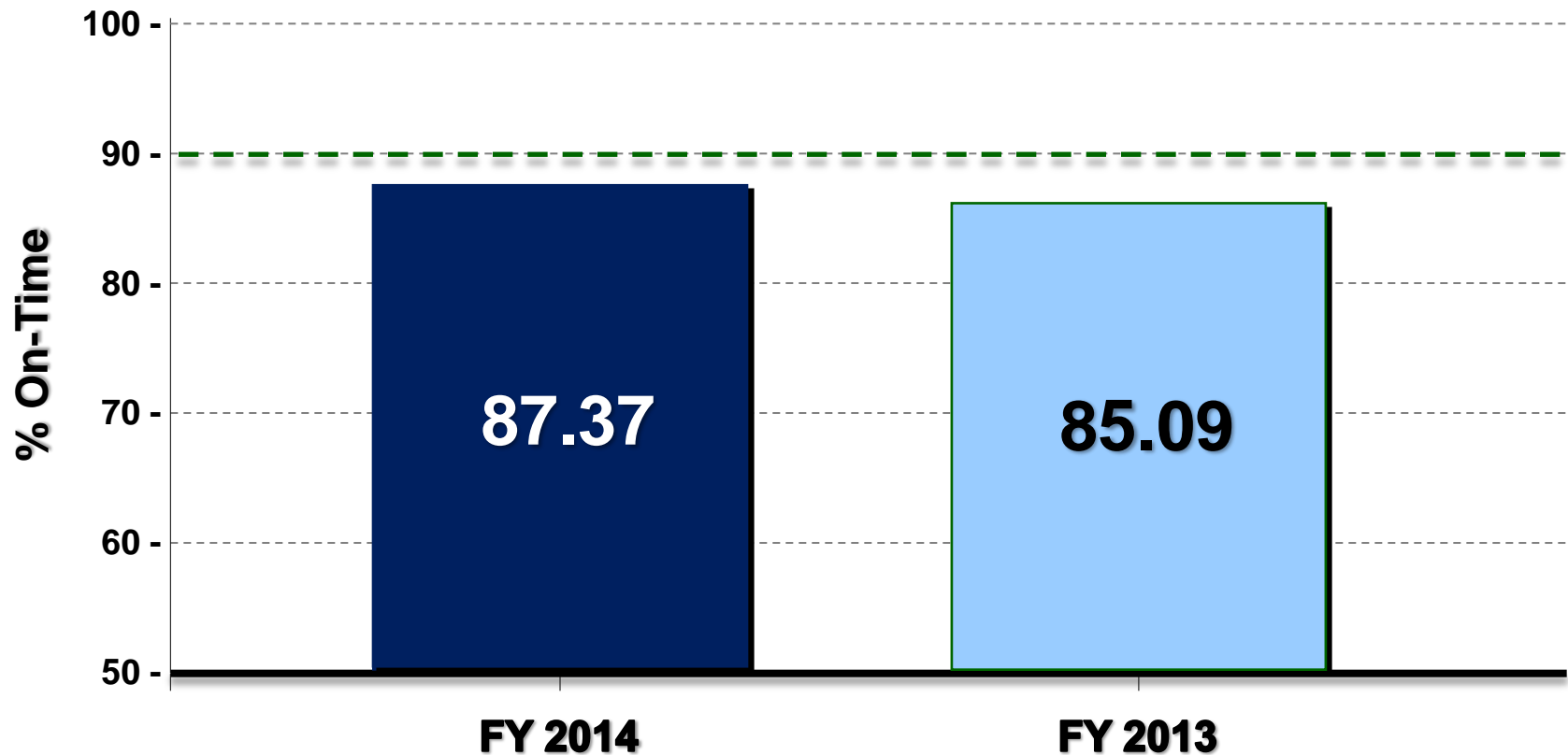


STANDARD NDC



PERIODICALS

--- Target 90.00



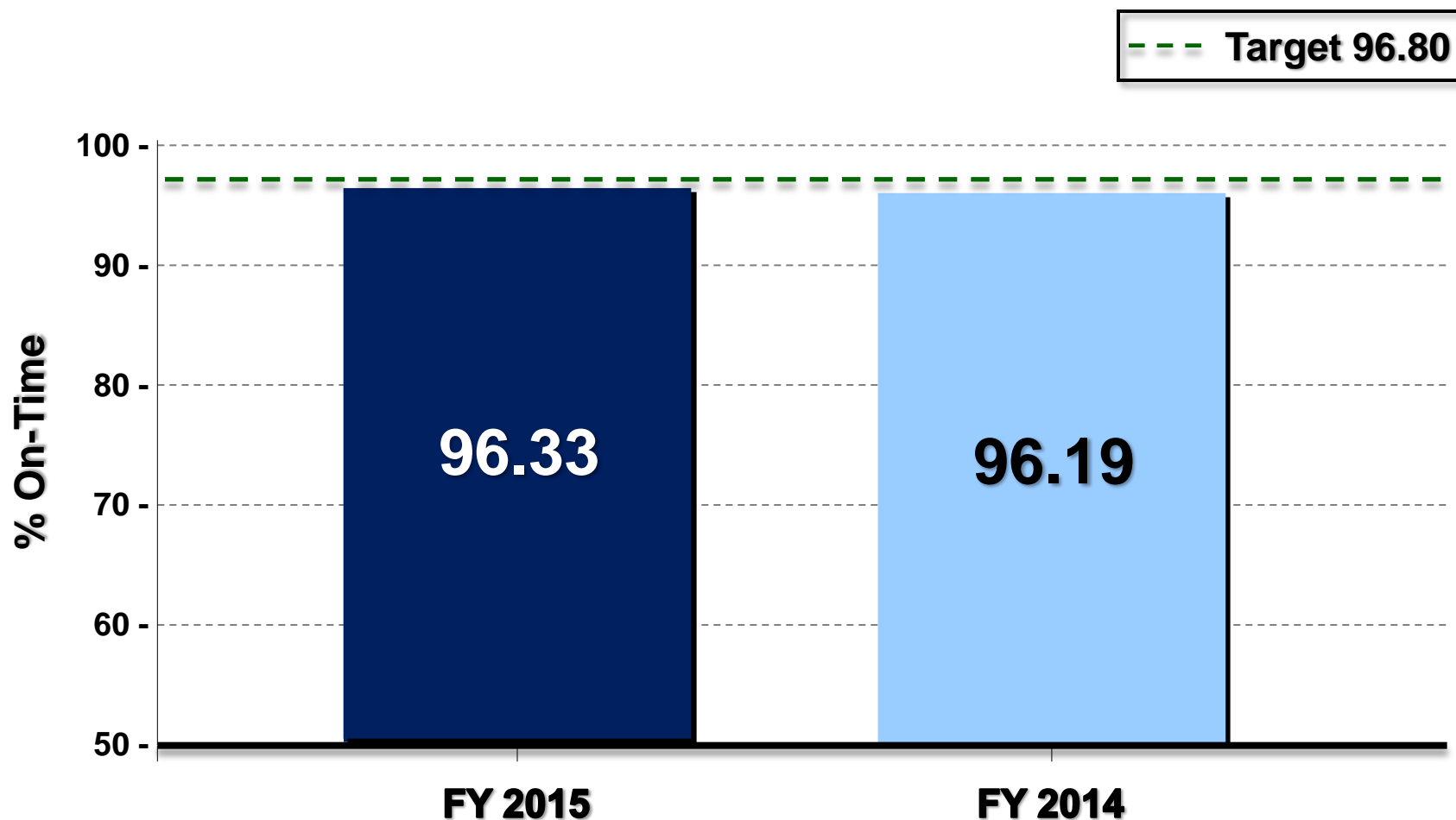
CONTINUOUS IMPROVEMENT EXPECTATION

	FY 2015 Goal
First-Class Mail Composite	96.00
Combined Overnight	96.80
Combined 2-Day	96.50
Combined 3-5 Day	95.25
Standard Composite	91.00
Standard SCF Letters	91.00
Standard SCF Flats	91.00
Standard NDC Letters	91.00
Standard NDC Flats	91.00
Periodicals	
Periodicals (Dest Entry)	90.00

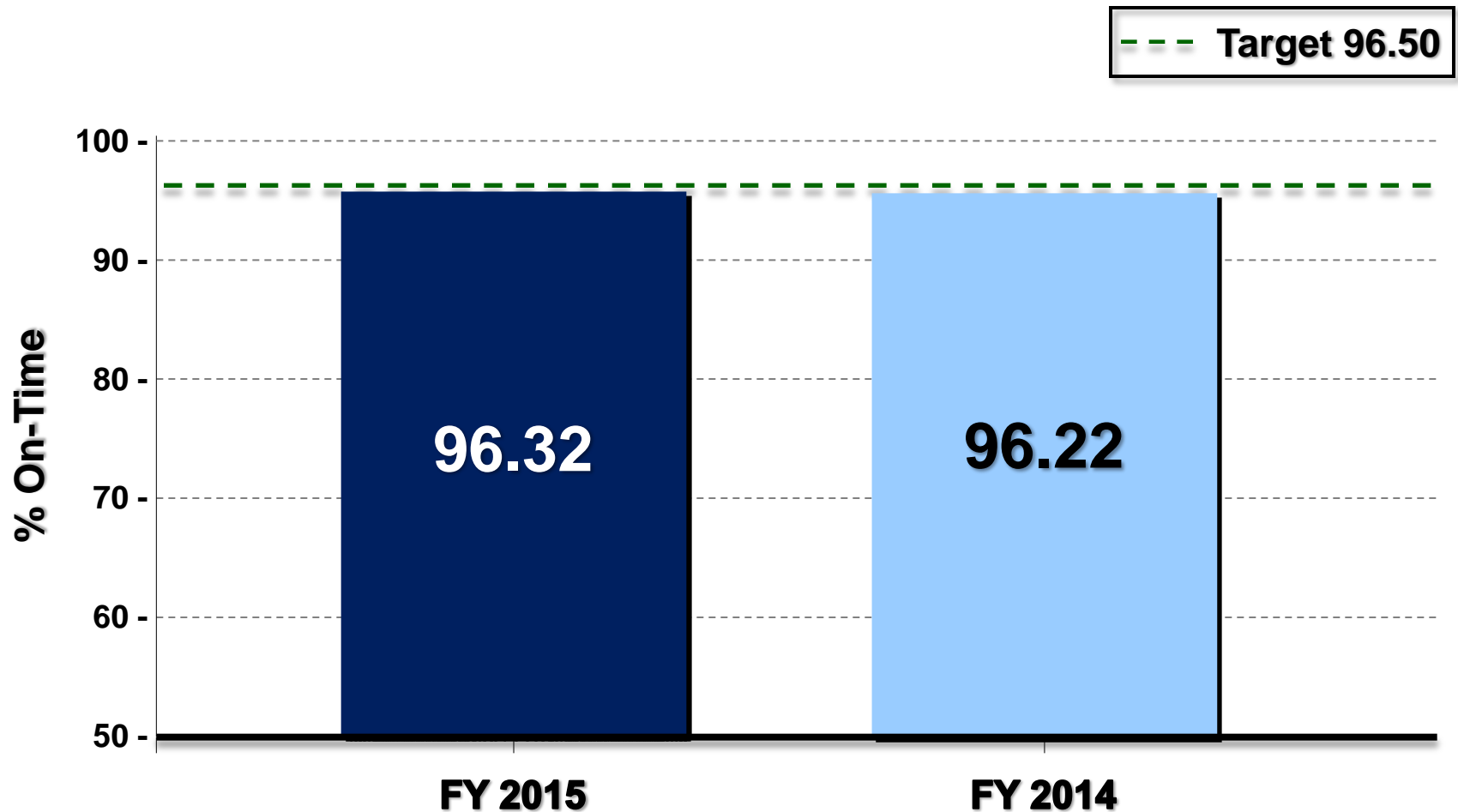
FY 2015 SERVICE PERFORMANCE

FIRST-CLASS MAIL

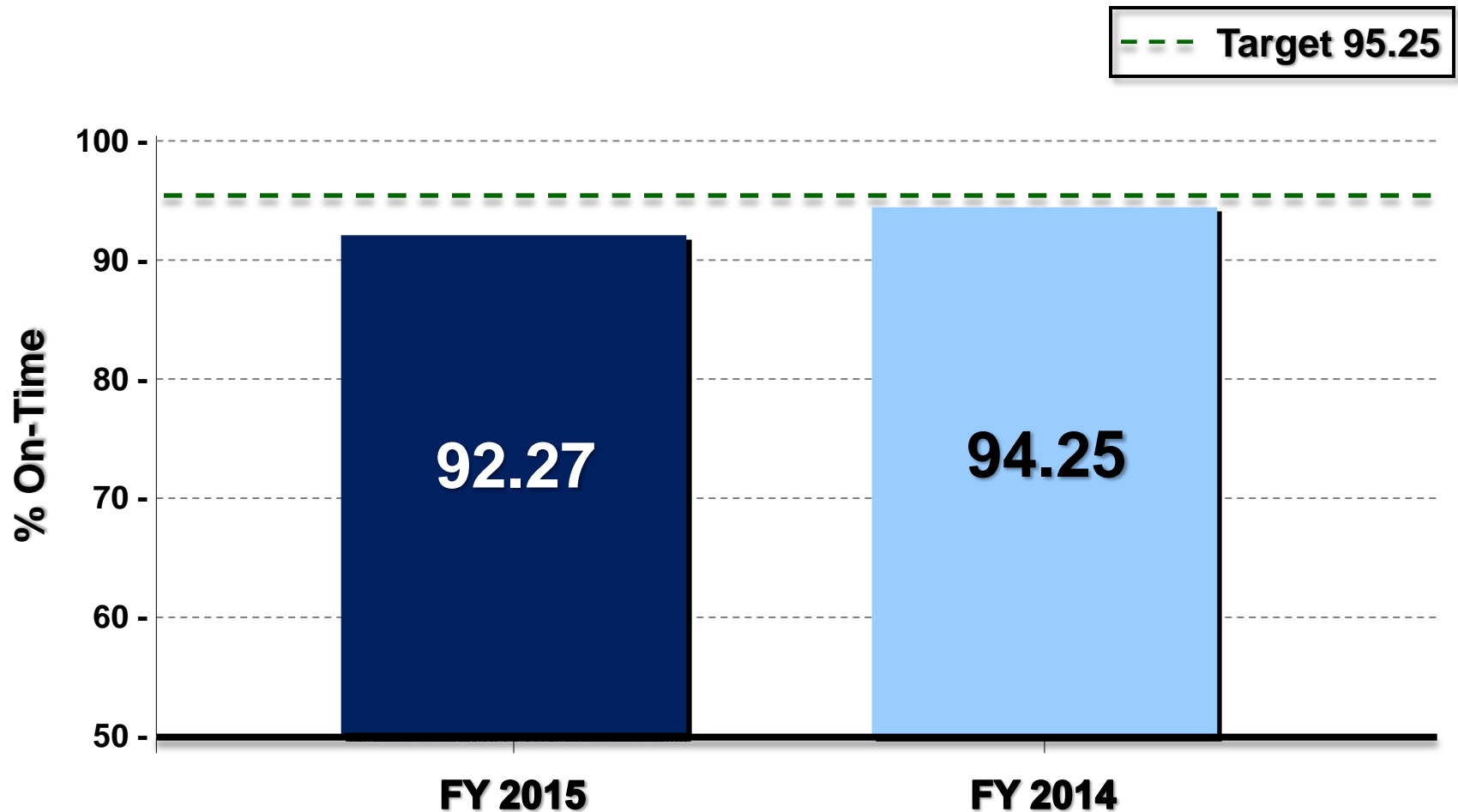
FIRST-CLASS OVERNIGHT



FIRST-CLASS 2 DAY



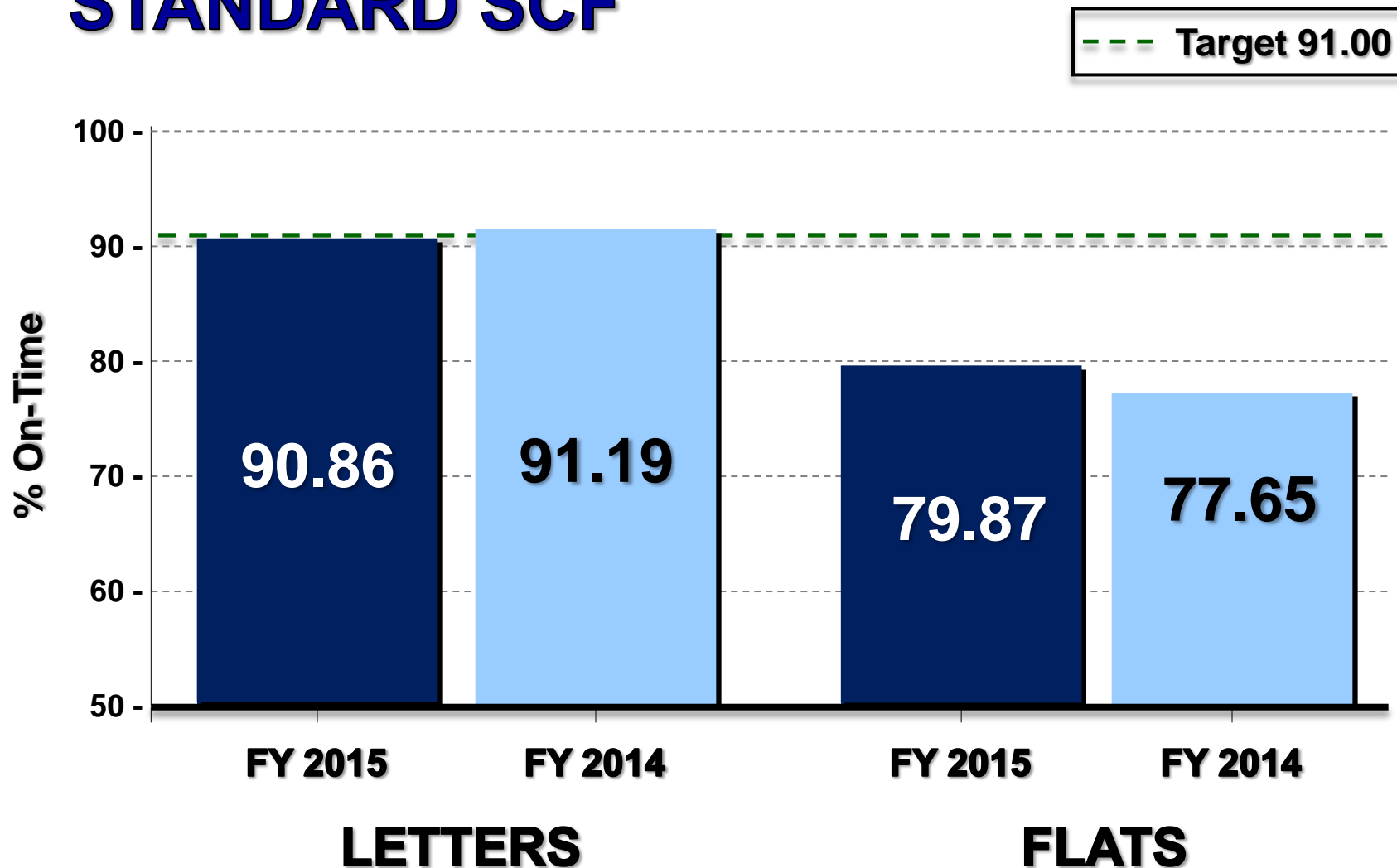
FIRST-CLASS 3-5 DAY



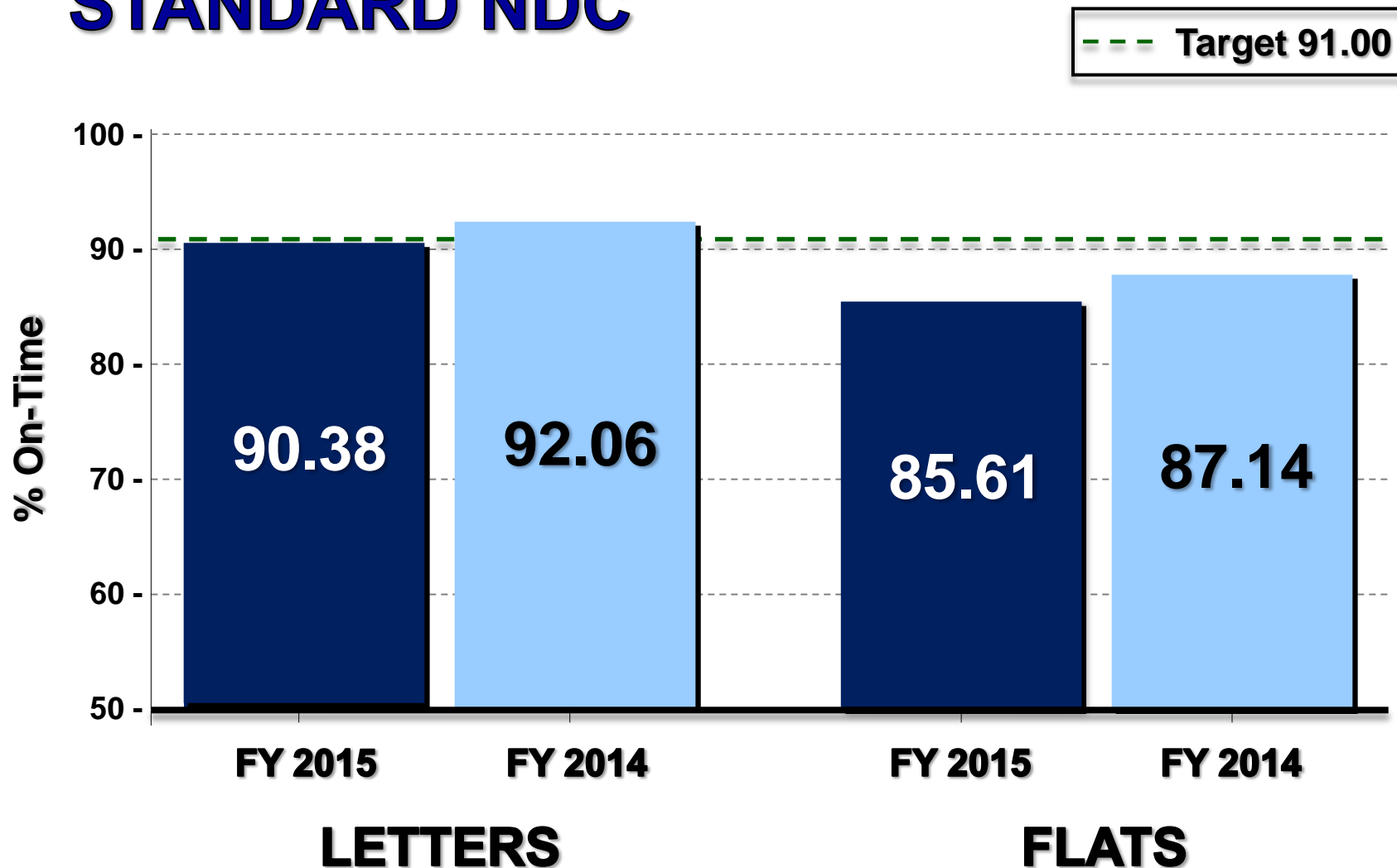
FY 2015 SERVICE PERFORMANCE

STANDARD AND PERIODICALS

STANDARD SCF

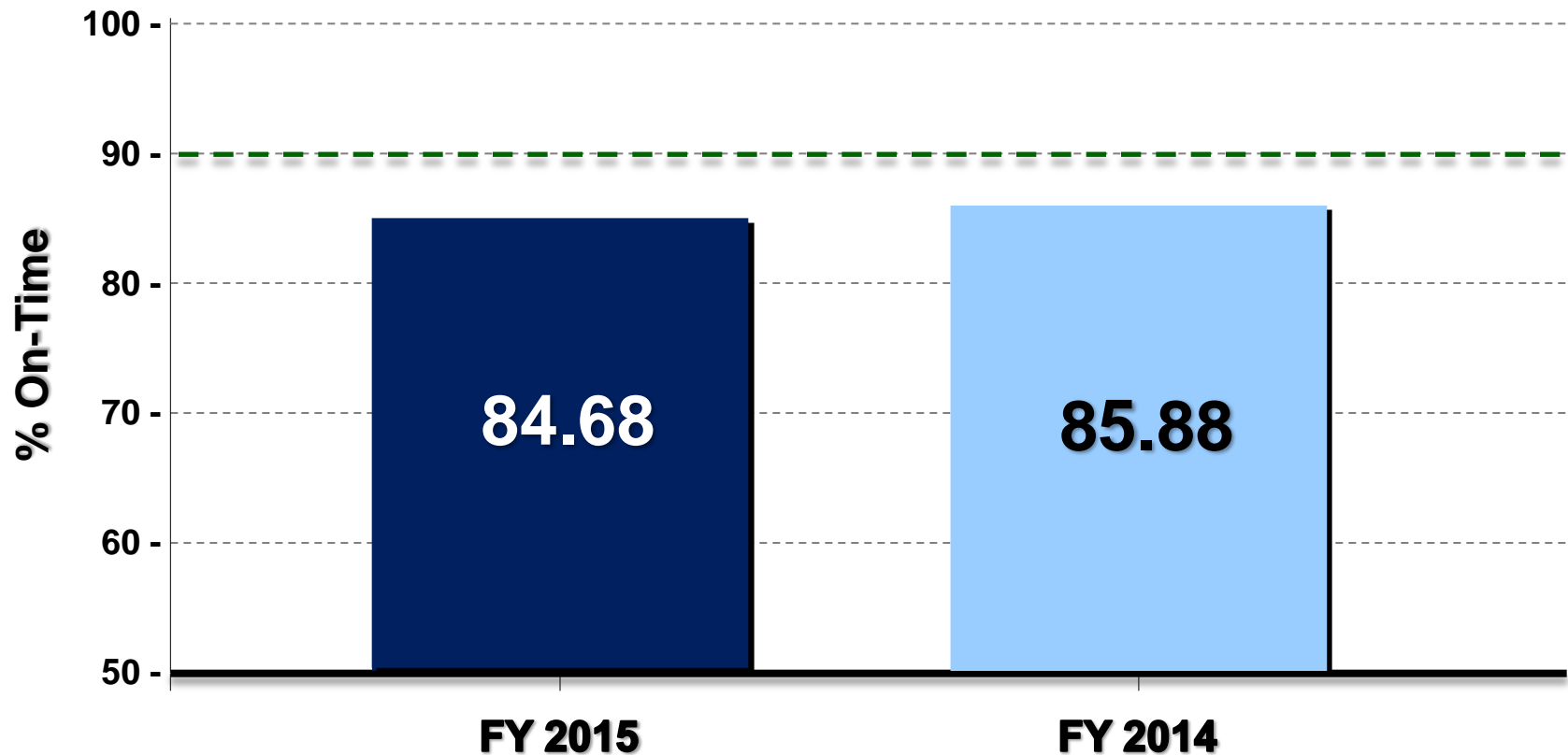


STANDARD NDC



PERIODICALS

--- Target 90.00



3-5 DAY IMPROVEMENT FOCUS

- ❑ Focused on Improving Volume Arrival Profiles (VAPS) into THS.**
- ❑ Additional Air Capacity**
- ❑ Secured Additional Air Lanes**
- ❑ Continual Monitoring of Surface Routes for Compliance and Service Responsiveness.**
- ❑ 24 Hour Clock**
- ❑ Vital Few**

PEAK SEASON READINESS

- ❑ Expect **15.5B** cards, letters and packages between Thanksgiving and New Year's Eve
 - **12.7B** between Thanksgiving and Christmas Eve
- ❑ PEAK processing day will be Monday, Dec 15 with expected cancellations of **640M**
 - PEAK delivery day will be Wednesday Dec 17
- ❑ Project to deliver **470M** packages this season. **12%** increase over SPLY
- ❑ **10%** Increase in Click-N-Ship Volume
- ❑ Beginning Dec 1 the National Operations Center will be staffed around the clock, 7 days a week to monitor and coordinate mail transportation nationwide.

We have positioned ourselves for success by making significant investments in:

- ☐ **Complement**
- ☐ **Mail Processing Equipment and Space**
- ☐ **Expanded Sunday Processing**
- ☐ **Transportation**
- ☐ **Scanning Technology**
- ☐ **Vehicles**
- ☐ **Retail Technology**
- ☐ **Expanded Delivery Window**



☐ **MTEOR Fully Deployed**



- Mailers – served by MTESC and Plants
- All Postal Plants



☐ **MTESC's Operating Weekend Hours to Meet Increased Demands**

☐ **New Deliveries Began 10/1/14**

☐ **Industry Communication**

- Fall Mailing Season Webinar Held on August 14
- Follow-up Webinar Held on October 28
- Industry Webinar Held on November 6

❑ New Buy MTE for PEAK:

- Flat tubs
- EMM trays and sleeves
- MM trays

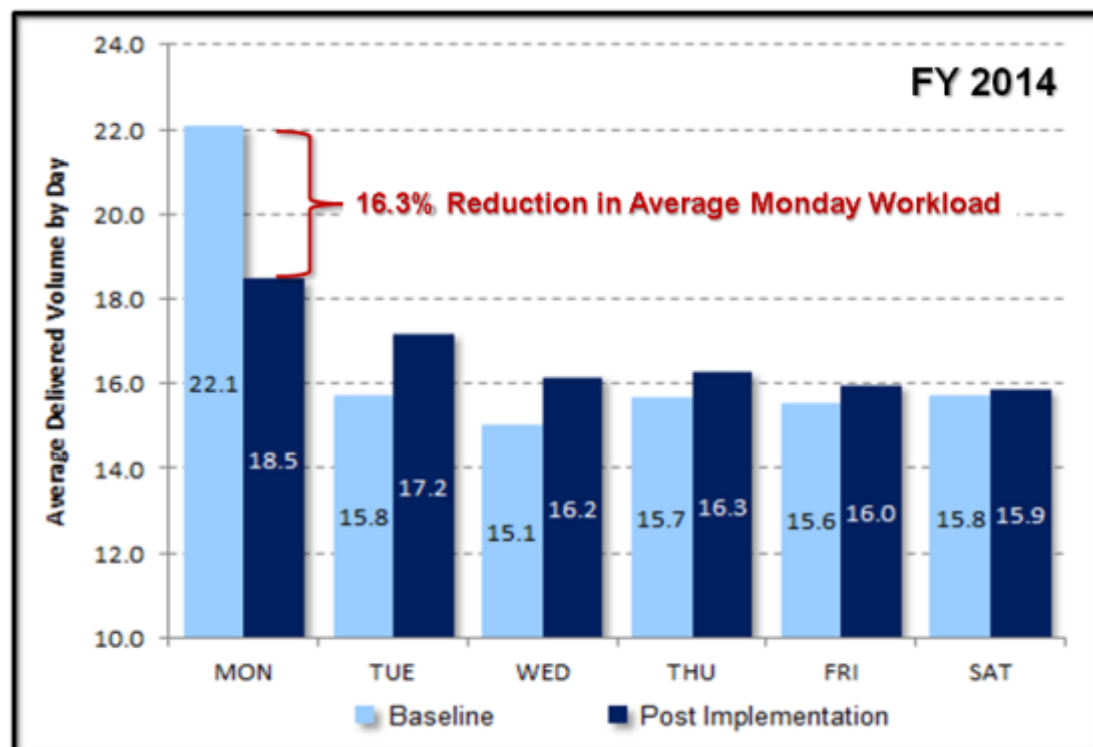
MTE Product	Qty	Del Start (week of)	Del By (week of)	Avg loads per week
PlasticFlat Tubs	500K	10/03/14	12/31/14	10 loads
Corrugated Flat Tubs	1.25M	10/20/14	12/08/14	51 loads
Plastic EMM Trays	500K	10/20/14	12/31/14	11 loads
Corrugated EMM Trays	1M	11/10/14	12/31/14	11 loads
Plastic MM Trays	1M	11/03/14	12/31/14	10 loads
EMM Sleeves	1.5M	10/13/14	12/31/14	5 loads

- ☐ Sufficient capacity in our networks
- ☐ Peak days/weeks identified and resource plans in place
- ☐ Comprehensive contingency planning
- ☐ Industry partnership / communication

DSCF STANDARD MAIL LOAD LEVELING UPDATE

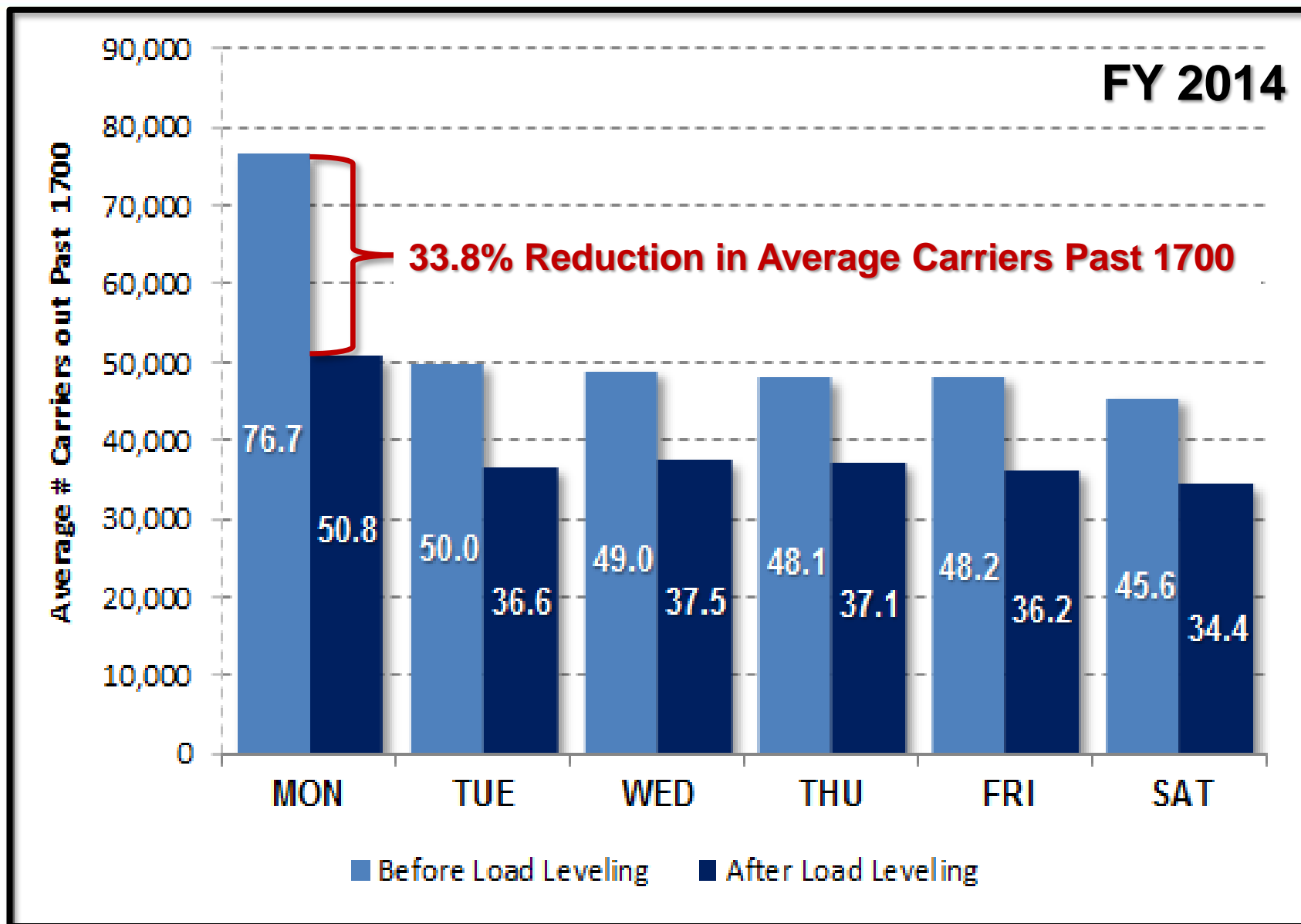
- ❑ Substantial Progress Has Been Made Towards Balancing Workload Across the Days of the Week
- ❑ Load Leveling is an Integral Piece of Our Over-Arching Strategy to Drive Critical 24 Hour Clock Compliance
- ❑ Efforts to Date Have Aided in Driving Significant:
 - Cost Reduction
 - On-Time Service Performance
 - Improved Customer Service

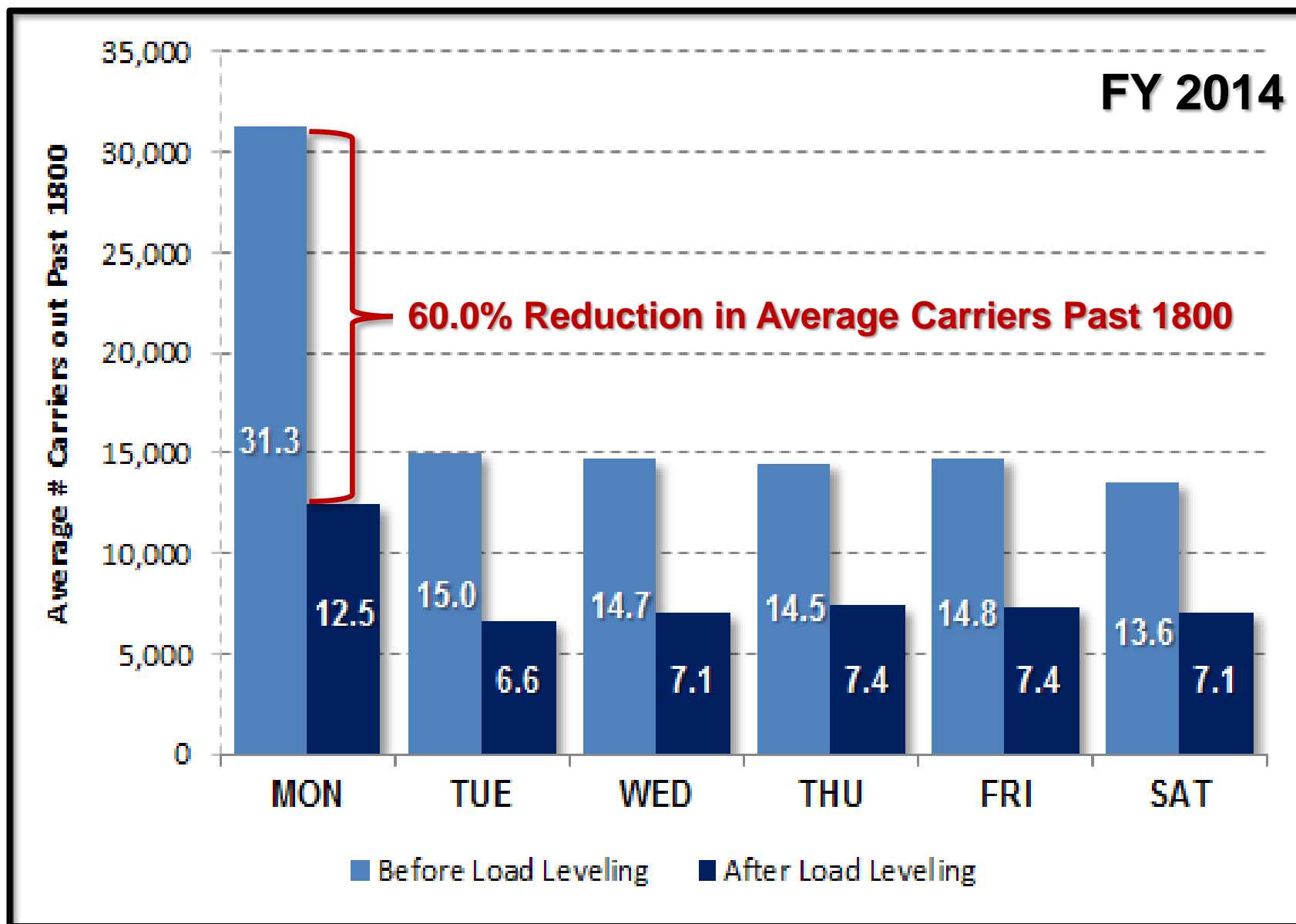
Total Delivered Volume by Day of the Week



Cost Benefits

- ❑ 16.3% Reduction in Average Monday Delivered Volume
- ❑ 23.2% Reduction in Average Monday Delivery Overtime %
- ❑ 5.6% Reduction in Average Weekend Processing Hours





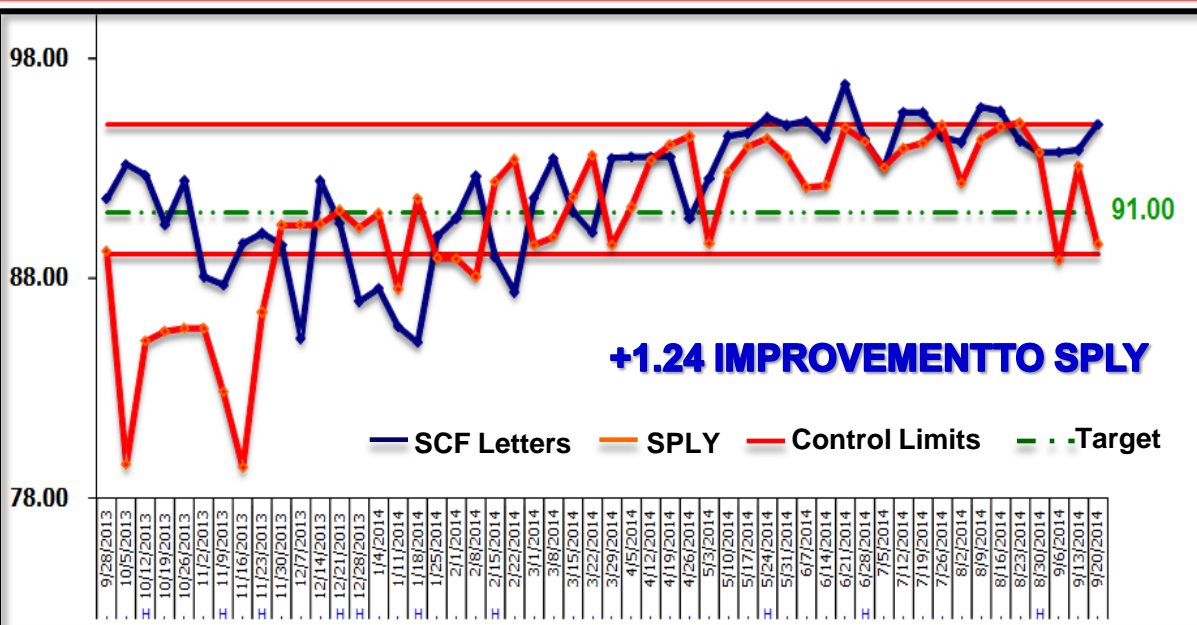
SCF LETTERS

QTR 4, FY 2014

94.69%

+1.24 IMPROVEMENT TO SPLY

— SCF Letters — SPLY — Control Limits — -Target



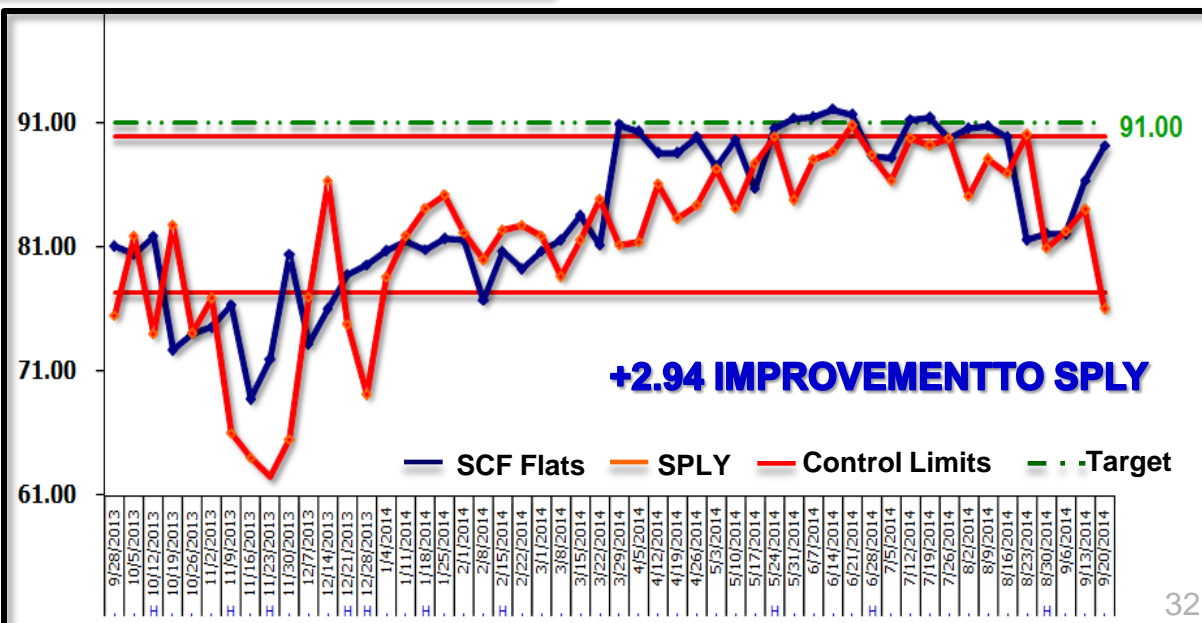
SCF FLATS

QTR 4, FY 2014

87.98%

+2.94 IMPROVEMENT TO SPLY

— SCF Flats — SPLY — Control Limits — -Target



- ❑ **Operating Expenses under plan by \$353M and under SPLY by \$503M**
- ❑ **Salary & Benefit Expense down \$349M to SPLY**
- ❑ **Transportation down \$173M to Plan, down \$149M to SPLY**
- ❑ **Changed Employee Mix/Rate**
 - 21% of Workhours are now Non Career
 - Decreased Average Workhour Rate by \$0.21 to SPLY despite contractual general increases and COLAs
 - Captured \$252M in Workhour Rate Savings
- ❑ **Total Factor Productivity +0.6% improvement over SPLY ***
 - Labor Productivity +1.1% improvement over SPLY

MAJOR FY 2015 OPERATIONS INITIATIVES

NETWORK OPERATIONS

- ❑ Network Rationalization Phase 2**
- ❑ Lean Mail Processing**
- ❑ International Operations Optimization (Military Consolidation)**
- ❑ Air Cargo Optimization Savings**
- ❑ \$1Billion Ground Transportation Strategy**
- ❑ Maintenance Optimization**

DELIVERY OPERATIONS

- ☐ **Lean Mail Delivery**
- ☐ **Route Structure**
- ☐ **Rural Standards Review**
- ☐ **Next Generation Mailbox**

TRANSFORM ACCESS

- ❑ Premier Post Office Program**
- ❑ Retail Technology**
 - Mobile Point of Sale/Self service kiosk/Retail System Software**
- ❑ Approved Shipper Expansion**
- ❑ POStPlan**
- ❑ Village Post Offices (VPO)**

- ☐ **Improve Service**
- ☐ **Improve Operational Efficiency**
- ☐ **Reduce Costs**

2015 OPERATIONAL TESTS



First Mile

- **Boost the demand for mail and packages**
- **Expand and simplify induction points**
- **Integrate emerging digital, big data, and consumer trends to grow**



Physical Network

- **Leverage market-leading physical assets**
- **Incorporate evolving logistics solutions**
- **Develop a structure that fosters agility and innovation**



Last Mile

- **Expand delivery solutions**
- **Capitalize on the expansion of E-commerce and technology**
- **Optimize route flexibility and productivity**



Digital

- **Leverage USPS's brand, trust, and reputation to drive profit**

Leveraging our Infrastructure

Background

- E-commerce and online purchases are growing
- Customer delivery needs are changing
- Missing or stolen packages on the rise
- Customers interest in enhanced notifications

Suburban Test locations:

- Newhall, CA - 91321
- Williston, ND - 58801
- Broomfield, CO - 80023

Urban Test Locations

- Washington, DC - 20001, 20007
- Brooklyn, NY - 11215, 11249, 11205
- Pittsburgh, PA - 15232
- S. Boston, MA - 02127



Objective

- Utilize excess space at postal facilities to generate additional revenue and better serve USPS customers



Location

- **Pilot Chicago Metro Area : Carol Stream, IL**
 - Scheduled to begin November 19, 2014
- **USPS will forward stage, pick and pack, ship and deliver products within the destination area of Chicago**
- **Orders placed by midnight will be delivered the next day**

Operational Test Period

- **11/19/14 - 5/17/14**

Dominate Last Mile



Use last-mile advantage to win ship-from-store trend

Testing Grocery Platform

- **Pilot Phase**
 - Pilot Started – Aug 14
 - San Francisco only (41 ZIP codes)
 - 7 days/week delivery; 3am -7am



7-Day Delivery

- Leveraging Sunday delivery to grow our overall package business
- Onboarding new customers



Same Day Delivery:

- Early Bird
- Competitive-priced delivery
- Onboarding new customers



Metro Post

- New York

COLLABORATION & OUTREACH

CURRENT COLLABORATIVE EFFORTS

- ❑ MTAC 159 Hub Workgroup**
- ❑ MTEOR User Group 7**
- ❑ Presort Reference Data User Group 9**
- ❑ Mail Prep and Entry Steering Committee**
- ❑ CS Agreement Process Improvement Team**
- ❑ Joint Bundle Breakage Reduction Effort**
- ❑ Joint Flats Strategy Development Team**
- ❑ Upcoming new Workgroup on Multi-scheme FSS Pallets**

USPS - INDUSTRY COLLABORATION



- ❑ **Exchange Ideas & Preempt Issues**
 - MTAC
 - Association Meetings
 - NPF
 - Trade shows and other events
- ❑ **Drive Innovation and Adopt Technology**
- ❑ **Committed to Collaboration/Communication**

OPPORTUNITIES:

NPF 2015 --- Anaheim, CA May 17-20 <http://npf.org/>

Area Mailing Industry Focus Groups – Calendar by Area
<https://ribbs.usps.gov/index.cfm?page=periodicalsfocus>

COMMITMENT TO COMMUNICATE

STRONGER TOGETHER



Thank You

Questions?